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OCTOBER 19, 2026

LABJ

LOS ANGELES STATE OF BUSINESS READINESS

Thinking about selling or transitioning your business in the next 3–5 years?

Learn what you should be doing now to maximize value, avoid costly mistakes and keep more of what you've built.

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Sheraton Universal Hotel | 8:30AM - 11:30AM PST

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LABJ LOS ANGELES STATE OF BUSINESS READINESS

You Built The Business. Are You Ready For What's Next?

You've spent years building your business. You've made the investments, taken the risks, built the team and weathered the challenges. But if an opportunity to sell, bring on an investment partner or transition out came along tomorrow, would you be ready?

And perhaps more importantly: Would your business be ready?

The best time to prepare for an opportunity is before you need it.

Join the Los Angeles Business Journal for the State of Business Readiness Breakfast and get ahead of the questions that can shape the future of your business. Whether an exit is five years away, two years away or not even on the radar, the decisions you make today can have a meaningful impact on the value of your business, what you ultimately keep and the options available to you down the road.

For many owners, preparing for a potential transition isn't about putting the business up for sale. It's about building a stronger company, understanding its value and making sure you're in a position to make decisions from a place of strength when the right opportunity comes along. That means looking beyond today's performance and thinking about what makes a company durable, transferable and attractive to someone else.

START WITH A REAL OWNER'S STORY: INSIDE THE DEAL: WHAT I LEARNED GOING TO MARKET

What does it really look like to take a business to market? What happens when ownership changes? And what do you learn along the way?

Jon Slusser, Owner & Partner of The Famous Group, will share firsthand perspective from his entrepreneurial journey, including growing the company, bringing on an investment partner and navigating the decisions that come with different stages of ownership.

In this candid conversation, Slusser will share what worked, what he wishes he had done differently, and everything in between. He'll offer perspective on the decisions that mattered, the things that surprised him and the lessons he picked up along the way, giving other owners a rare opportunity to hear what the process can really look like from the owner's seat.

TWO PANELS. THE QUESTIONS THAT MATTER.

The program will then tackle two questions that every owner should be thinking about, no matter where they are in the life of their business.

• **What Makes Your Business More Valuable?** A company's value isn't determined by revenue alone. Buyers look at the strength of the business today and its potential for tomorrow.

This panel will explore what buyers look for when evaluating a company, the factors that can increase or diminish enterprise value and the steps owners can take to build a stronger, more scalable business. It will also look at common mistakes that can reduce value and what owners should be thinking about three to five years, or even one to two years, before an exit.

The goal: help owners understand what makes a business attractive to buyers and where they can create more value while they still have time to do it. For an owner who isn't ready to sell, these same steps can strengthen the business today, improve its resilience and create more options for tomorrow.

• **Keeping More of What You've Built + What's Next?** What happens after you get the deal done can be just as important as the deal itself.

This panel will explore how owners can prepare for the financial realities of a sale or transition, including planning around taxes, transaction structure, wealth and estate planning. It will also address succession and the personal side of preparing for life after the business.

Because maximizing the value of your company is only part of the equation. The goal is to make thoughtful decisions that help you keep more of what you've built and create a clear path for whatever comes next.

PREPARE BEFORE YOU NEED TO

For business owners, being ready doesn't necessarily mean being ready to sell tomorrow. It means understanding the value of what you've built, knowing what could strengthen that value and having a plan before circumstances force you to make one.

An investment opportunity could come along. A buyer could make an unexpected offer. You may decide it's time to step away. Or you may simply want to know that the company you've spent years building is positioned for whatever comes next.

The earlier you start asking these questions, the more options you have.

You've put years into building your business. Take the time to prepare for what comes next. Join the Los Angeles Business Journal for the State of Business Readiness Breakfast.

Register at labusinessjournal.com/bizreadiness26.

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"Many business owners spend decades building something worth passing on. Yet the plan for passing it on is often split across documents that were drafted years apart by different advisors and often conflict with one another. These conflicts tend to surface at the worst moments: at death, during incapacity or in the middle of an exit. The unintended result may be an heir who inherits the shares but cannot vote them, or a manager who holds control without any ownership stake. My goal is to show owners how to spot these conflicts early, so the right parties hold both ownership and control when it matters most."

Christina Lewis

Partner, Corporate and Trusts & Estates

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LABJ LOS ANGELES STATE OF BUSINESS READINESS

Meet the Panelists

Building a successful business is one thing. Knowing how to maximize its value, protect what you've earned, and prepare for what comes next is another. At the State of Business Readiness Breakfast, business owners will hear firsthand lessons from an entrepreneur who has navigated the complexities of going to market, along with expert insights on increasing enterprise value, planning for a sale or transition, and making informed decisions that can shape their financial future.

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INSIDE THE DEAL: WHAT I LEARNED GOING TO MARKET (OWNER STORY)



JOEL MONTMINY
Moderator
President & CEO
Montminy & Co.



JON SLUSSER
Owner & Partner
The Famous Group

WHAT MAKES YOUR BUSINESS MORE VALUABLE?



JANICE MILLER, ESQ.
Moderator
Managing Partner
Miller Haga Law Group, LLP



BILL KOSCHAK
Founder & CEO
Everest Advisors



CHRISTINA LEWIS
Partner
Mitchell Silberberg & Knupp LLP



JOEL MONTMINY
President & CEO
Montminy & Co.



HAVELL RODRIGUES
CEO and Managing Partner
New Majority Capital

KEEPING MORE OF WHAT YOU'VE BUILT + WHAT'S NEXT?



JOSH SCHIMMELS
Moderator
Publisher & CEO
Los Angeles Business Journal



STEVEN J. GELLER
Partner
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RONALD MUNMAN
Managing Director – Wealth Partner
J.P. Morgan Wealth Management



JOE SEETOO, CFA®, CFP®, CEPA®
Wealth Advisor, Partner
Morton Wealth

strategist

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EXITING A BUSINESS WELL ISN'T JUST A FINANCIAL TRANSACTION. IT'S A TRANSITION THAT TOUCHES IDENTITY, TIMING, AND A WHOLE TEAM OF PEOPLE WHO NEED TO BE POINTED IN THE SAME DIRECTION.

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Wealth Advisor & Partner
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The Best Time to Get Ready to Sell is Years Before You Do

By BILL KOSCHAK

Most owners I meet think about getting ready to sell in the year before a sale. By then, the problems that lower the price have usually been sitting in the business for years, and there isn't enough time left to fix them.

The work that gets a business ready to sell is the same work that makes it better to run. Reliable numbers, a clean structure and a team that doesn't need the owner for every decision give you more time and more money, whether you sell next year, in ten years or never. So the real question isn't whether you're ready to sell. It's why you'd keep running a business that struggles when you could be running a great one.

'The owners who get the best outcomes start years before a sale, not months. A year ahead is the minimum, and longer is better.'

BILL KOSCHAK
Everest Advisors

TWO THINGS DECIDE WHAT YOU WALK AWAY WITH

When a sale comes, two things decide what ends up in your pocket, and most owners only think about the first.

The first is what the business is worth. Buyers pay a multiple of earnings, and the multiple moves with risk. Predictable revenue, healthy margins, customers spread across many accounts and a team that runs without you all push it up.

The second is what comes out of the price before you see it. Holdbacks, escrows, working capital adjustments, earnouts that never pay out and the tax bill on a poorly structured deal all cut into the headline number. Every uncertainty a buyer finds becomes a deduction, a delay or a lower offer.

WHAT BUYERS FIND

Most of what lowers a price was true long before the buyershowed up. A buyer who finds one problem starts looking for three. These are the gaps we see most often.

- **No forecast, or one nobody trusts.** If your projections have never been checked against actual results, a buyer will build their own, and theirs won't be generous.
- **A messy corporate structure.** Old entities, intercompany balances that don't reconcile and ownership that isn't cleanly documented each become a question that has to be answered before closing.
- **Real estate in the wrong entity.** A building held inside the operating company can leave the owner with an unnecessary tax bill after the deal. It's fixable, but it takes planning and time.
- **Unfiled or late tax returns.** Missing filings stop diligence cold, and they take months to fix.
- **Earnings that won't hold up.** Buyers commission a quality of earnings review to test whether your earnings are what you say they are. Add-backs that don't survive it and revenue that isn't recurring come straight off the price.
- **An owner the business can't run without.** If the key relationships and decisions run through you, the buyer is paying for a business that walks out the door at closing. The same is true if you plan to hand it to family or a management team.

START WITH AN HONEST READ

Measure before you fix anything.Ready has three parts: the business, the market and the owner. Most owners are strong on one and behind on another. A good assessment scores all three the way a buyer will, and ties each gap to what it costs in value or in deductions at closing. That tells you what to fix first. Everest's free Exit Readiness Check takes about two minutes and shows where you stand.

Then fix the gaps in that order, and run a quality of earnings review on your own numbers before a buyer does. Where the fix belongs with your tax or legal advisors, bring them in early. Bankers and attorneys matter once a deal is live. This work comes first, and it hands them a business that is ready.

TIMING MATTERS MORE THAN MOST OWNERS EXPECT

The owners who get the best outcomesstart years before a sale, not months. A year ahead is the minimum, and longer is better. Some fixes take a few weeks. Tax and structure work can take a year or more, and none of it is easy once a buyer is in diligence.

Starting early also means you're never forced to sell on someone else's timeline. If an unexpected offer arrives, you can take it seriously, or turn it down because you don't need it. A sale is personal before it is financial, so decide what you want it to deliver and what role you want afterward before the first buyer call.

If a buyer called tomorrow, what's the first thing their team would find? That's where to start.



Bill Koschak is founder and CEO of Everest Advisors, a firm of former C-suite executives who step back into the seat for companies building value or preparing to sell. A former KPMG partner, he was CFO of Nasdaq-listed Calyxt and of Medtronic's Brain Therapies business, and sits on corporate boards. He speaks on Panel One at the State of Business Readiness breakfast on October 30.

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TAKE THE SURVEY

Eleven critical areas where business value and personal wealth converge

By setting aside a few minutes to reflect on where you stand today, you're taking an important first step toward identifying the critical areas that most impact your business—and your professional and personal life. This survey is designed to help surface opportunities for improvement and clarify where focused attention can make the greatest difference.



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LABJ LOS ANGELES STATE OF BUSINESS READINESS

Exit Strategy Planning to Protect Value Before, During, and After a Business Transaction

By STEVEN J. GELLER



Business owners often spend decades building enterprise value but devote surprisingly little time to planning how they will ultimately realize it. Yet the success of a transaction is frequently determined long before negotiations begin. Decisions involving tax structure, ownership, employee incentives, wealth transfer, and post-sale planning can materially affect both the proceeds retained and the legacy preserved.

An effective exit strategy does more than prepare a company for sale. It positions the owner to protect value, reduce avoidable tax costs, and transition to the next phase of life and business with confidence. While every transaction is unique, owners who begin planning early generally have more flexibility and more opportunities to improve their outcomes.

WHY TAX PLANNING MATTERS IN AN EXIT STRATEGY

Many owners focus on valuation and negotiations, but some of the most significant drivers of after-tax value are addressed well before a buyer enters the picture.

One of the most common mistakes is waiting until a transaction is imminent before engaging advisors. By the time a letter of intent is signed, valuable planning opportunities may have already disappeared.

Early planning allows owners to evaluate ownership structures, identify tax-efficient transaction alternatives, address financial reporting issues, and assess how a potential sale fits within broader family and financial objectives. It also provides the opportunity to model different transaction scenarios and understand the economic consequences of key decisions before they become irreversible.

Ultimately, a successful exit is not defined solely by purchase price. What matters most is the amount an owner retains after taxes, fees, and post-closing obligations.

EVALUATE QUALIFIED SMALL BUSINESS STOCK EARLY

Few tax provisions have the potential to impact a founder's after-tax outcome as significantly as the Qualified Small Business Stock (QSBS) exclusion under Section 1202.

When the requirements are satisfied, eligible shareholders may exclude a substantial portion, and in some cases all, of the gain recognized on the sale of qualifying stock. Despite the potential benefit, many owners fail to evaluate QSBS eligibility until a sale is already under discussion.

Qualification depends on detailed requirements involving the corporation, shareholder, business activities, and holding period. Because these rules are highly technical and fact-specific, evaluating eligibility well before a transaction is essential.

For owners who qualify, the resulting tax savings can materially increase after-tax proceeds.

FOCUS ON NET PROCEEDS, NOT HEADLINE PURCHASE PRICE

Buyers evaluate every economic variable that affects value. Sellers should adopt the same mindset.

While purchase price often dominates negotiations, transaction structure frequently determines the owner's ultimate financial outcome. Asset sales, stock sales, installment payments, earnouts, rollover equity, and seller financing arrangements can produce dramatically different tax consequences.

Owners who understand these variables before entering negotiations are better positioned to evaluate competing offers and make informed decisions.

The most successful sellers focus not simply on what they are being offered, but on what they will ultimately retain after taxes and transaction costs.

REWARD THE TEAM THAT HELPED CREATE THE VALUE

A successful exit is rarely built by the owner alone.

In many transactions, key employees are instrumental in maintaining performance before closing and preserving value during the ownership transition. Buyers often view the strength and stability of management teams as an important component of enterprise value.

Owners should evaluate whether retention bonuses, transaction bonuses, deferred compensation arrangements, or equity-based incentive programs can support transaction objectives while rewarding those who contributed to the company's success.

A carefully designed employee strategy can improve continuity, reduce uncertainty, and help preserve value throughout the transaction process.

VIEW A BUSINESS SALE AS A WEALTH TRANSFER OPPORTUNITY

For many business owners, a liquidity event represents the single greatest wealth-transfer opportunity of their lifetime.

Many of the most effective estate-planning strategies must be implemented before a transaction becomes certain. Owners who wait until a sale is imminent may find that valuable opportunities are no longer available.

> 'An effective exit strategy does more than prepare a company for sale. It positions the owner to protect value, reduce avoidable tax costs, and transition to the next phase of life and business with confidence.'
>
> STEVEN J. GELLER
> Prager Metis

Depending on the circumstances, planning opportunities may include gifting strategies, trust structures, and other techniques designed to shift future appreciation outside the taxable estate.

Effective estate planning is not simply about reducing taxes. It helps owners preserve family wealth, support future generations, and align wealth-transfer decisions with broader family goals.

PLANNING DOESN'T END AT CLOSING

Many owners assume the planning process concludes when closing documents are signed. In reality, some of the most important decisions begin after the transaction is complete.

A significant liquidity event often creates new considerations involving investment management, charitable giving, cash-flow planning, asset protection, and multigenerational wealth preservation. Owners may also need to address installment payments, earnouts, rollover equity interests, or other post-closing arrangements.

Building a successful company requires discipline and long-term vision. Preserving the value created from a transaction requires the same approach.

A STRATEGIC EXIT CREATES MORE THAN A SUCCESSFUL SALE

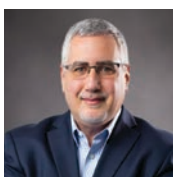
The most successful exits begin long before a buyer is identified.

Owners devote years, and often decades, to building enterprise value. Applying that same strategic discipline to transaction planning can create opportunities to increase after-tax proceeds, reduce risk, and preserve long-term wealth.

When tax, transactions, estate and trust, and succession planning are aligned, an exit becomes more than a sale. It becomes an opportunity to convert years of effort into lasting financial security and a meaningful legacy.

A business may only be sold once. The planning leading up to that event deserves the same focus and commitment that went into building the company in the first place.

As a Partner at Prager Metis, I help clients apply that focus to the decisions surrounding a business transition. I advise entrepreneurs, business owners, family offices, and high-net-worth individuals on domestic and international tax matters, transaction structuring, estate planning, and cross-border wealth preservation. My focus is helping clients navigate business sales, liquidity events, and succession planning, evaluation decisions that may affect their after-tax proceeds, and align transaction planning with their long-term family and legacy objectives.



Steven J. Geller, CPA, TEP, is a partner in the International Services Department at Prager Metis with more than 30 years of experience.

Learn more at pragermetis.com.

Everest
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FOR OWNERS PREPARING TO SELL, NOW OR SOMEDAY

A business that's ready to sell is a better business to run.

Two things decide what you walk away with: **what the business is worth**, and **what comes out of the price before you see it.** Most of what lowers a price is in the business long before a buyer shows up. The owners who do best start a year out at minimum, and longer is better.

MEASURE

Know what a buyer will find

Our Exit Readiness Assessment scores the business, the market and the owner the way a buyer's team will, and ties every gap to what it costs you.

FIX

Raise the value, protect the price

Forecasts, reporting, working capital, earnings that hold up to a quality of earnings review, and a business that runs without you.

CLOSE

Operators in the room

When the time comes, people who have sat on both sides of the table work alongside your banker and attorney.

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operators who have each led functions and teams

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We've sat in your seat. Now we're in your corner.

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LABJ LOS ANGELES STATE OF BUSINESS READINESS



Three Lessons on Strategizing a Business Exit the Right Way

By JOE SEETOO

Business owners come to me at very different points in their journey. Some are years away from selling, still building the business, with no real sense of what they'd need to walk away with. Others are closer, maybe a year or two out, trying to figure out how to structure a deal while still running the company day to day. And some are already holding a term sheet, wondering why the moment didn't feel the way they expected it to.

We built the Strategist to serve all three of those owners. Along the way, we've had to challenge a few of our own assumptions, and I think what we've learned is worth sharing.

LESSON 1: THERE'S NO SINGLE RIGHT TIME TO START

When we first designed the Strategist, I assumed most owners would come to us at roughly the same stage, somewhere in the "getting serious about selling" window. That turned out to be wrong. Owners show up at very different points, and most of them don't know which point they're at until someone asks the right question.

The question that tends to work is simple: do you know your number? Most owners don't. Some have a figure in their head, but it hasn't been tested against what their business would actually sell for, or what they'd need after taxes to maintain their lifestyle. Others have never separated their personal financial plan from their business at all.

That's why we built three phases into the Strategist instead of one offering. Some owners need to start by simply defining their number and understanding the gap between where they are and where they need to be. Others are closer to an exit and need help building a team of advisors and coordinating a deal. And some are already at the table and need someone focused on what that number has to do for the rest of their life, not just on closing the transaction.

The lesson was realizing that forcing every owner into the same starting point was a mistake. The starting point has to match where they are, not where a tidy process would like them to be.

LESSON 2: KNOWING YOU HAVE TO LET GO, AND DOING SO, ARE TWO DIFFERENT THINGS

This is the one that surprised me the most, and it's the part of the work I think about the most.

An owner can understand, intellectually, that they'll need to let go of the business someday. They can nod along when I explain that identity and purpose matter as much as the financial plan. But understanding that in a conference room and actually living out a transaction are not the same experience.

This makes me think of a client of mine who built a commercial brokerage firm from scratch over nearly twenty years and eventually sold it. He was still relatively young, in his mid-fifties, financially secure, and by every measure the sale had gone well. But after the initial proceeds hit his account and he was working through his earnout, he struggled. His kids were heading off to college, his wife was busy with her own career, and for the first time in decades he had time on his hands and no real structure to fill it.

We had planned for his finances. We hadn't planned for the identity shift. I suggested he talk to a life coach who specializes in change management, and because my client was willing to be honest about what he was going through, we were able to work through it together. He eventually found a new sense of purpose serving in a local non-profit role, something he'd always been drawn to but never had time for. We were able to build that into his financial plan with real specifics, not just a vague notion of "time off" down the road.

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> JOE SEETOO
> Morton Wealth

My client isn't alone in this. It's well-documented. Studies in the exit planning field have found that a large share of owners, some put it as high as 80 percent, regret selling within a year of the transaction. Usually, it isn't about the money. It's the purpose that goes missing.

What I took from my client's experience, and others like his, is that the personal side of an exit isn't a soft add-on to the financial plan. It's just as real, and it often shows up later and harder than anyone expects. Talking about letting go and developing an actionable personal plan to let go are two different things, and a good exit plan has to make room for both.

LESSON 3: YOUR ADVISORS ARE GOOD. THEY'RE JUST NOT TALKING TO EACH OTHER.

Most owners already have a good CPA, a good attorney, and maybe an M&A advisor by the time they're ready to sell. Each one is excellent at their part. The problem is that their parts rarely meet.

A decision made on the tax side can potentially undo a decision made on the estate side, and nobody notices until it's too late to fix. That's not because anyone is bad at their job. It's because nobody owns the whole picture.

There's a statistic in this industry I think about a lot: nearly half of all businesses are eventually derailed by one of what's called the five Ds—death, disability, divorce, distress, or disagreement. A coin flip's worth of businesses will face one of these. When advisors aren't coordinated, an owner finds out at the worst possible moment.

When we first built the three tiers of the Strategist, I thought the structure itself was what we were offering. But what owners respond to isn't the fact that we have a defined process; it's that someone is finally looking at their entire situation at once, instead of just one slice of it.

I still think all three lessons connect back to the same idea. Exiting a business well isn't just a financial transaction. It's a process that touches identity, timing, and requires a whole team pointed in the same direction for the owner's exit.



Joe Seetoo is a wealth advisor & partner at Morton Wealth. Learn more at mortonwealth.com.

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LABJ LOS ANGELES STATE OF BUSINESS READINESS

Is Your Business Ready to Transfer?

The overlooked gaps between estate planning and business succession

By CHRISTINA LEWIS



I began my career as a corporate attorney, drafting operating agreements, buy-sell agreements and the other documents that govern how a business runs. A decade later, when I expanded my practice into estate planning, I began reading clients' estate plans alongside their business documents. I repeatedly found the same problem: the two sets of documents often did not work together, even though transferring a business requires both. Generally, the estate planning attorney drafts the documents that direct who will receive the owner's business interest and who may act for the owner, while the corporate attorney drafts the governing documents that dictate who manages the business and whether, to whom and on what terms that business interest can transfer. Each set of documents may be sound on its own. The conflicts between them tend to surface at the worst moment: when the owner dies, becomes incapacitated or decides to exit.

There are many gaps between an owner's estate plan and the business's governing documents. The five below are the ones I see overlooked most often, and ones that every business owner should be mindful of, whatever form the business takes.

DEFECTIVE TRUST FUNDING

Many business owners execute a trust and never properly assign their ownership interests in the business to it. In California, an interest left outside the trust may pass through probate, a public process that can take a year or more and carries statutory fees based on the estate's gross value. Lenders, key employees and customers will not wait for a court to confirm who can act. A Heggstad petition may rescue the interest, but at added time and cost.

Signing the assignment is only half the task. Funding the trust also requires attention to the entity's governing documents, a step even experienced planners sometimes overlook. The lawyer drafting the trust is often not the lawyer who also drafted the operating agreement, and entity documents often may sit in a different file or with a different firm. A buy-sell agreement, an LLC operating agreement or a limited partnership agreement frequently restricts transfers and requires consent, even for a transfer to the owner's own trust. As a result, an assignment that ignores those provisions can trigger a default or a buyout right that no one intended.

WHO CONTROLS IN THE EVENT OF INCAPACITY OR DEATH

For an owner who actively runs the business, incapacity is often more disruptive than death. If that owner suffers a stroke, operations may stall until someone has authority to make decisions in the owner's place. A passive owner's incapacity leaves daily operations intact, but it can stall any decision that requires the owner's vote or consent. In either case, a durable power of attorney may not provide the necessary authority, and the governing documents may bar an agent from exercising voting or management rights. The trust may name a successor trustee while the governing documents name no successor to manage the business. A successor trustee steps into ownership of the interest, but the governing documents control management of the business and may limit the rights that pass with the interest. If those documents make no provision for the owner's incapacity, the trustee may hold the interest without authority to vote it or manage the business.

> 'An estate planning attorney and a corporate attorney, working with the owner's CPA and other advisors, can identify these gaps before they become problems.'
>
> CHRISTINA LEWIS
> MSK

Death raises a similar problem. Depending on the entity and its governing documents, a deceased owner's successor may inherit the economic rights in the interest but not the right to vote or manage. Aligning the estate plan with the governing documents helps ensure that the right person holds both ownership and authority at each level.

OUTDATED BUY-SELL PROVISIONS

Buy-sell terms may appear in a stand-alone buy-sell agreement or within a shareholder agreement, operating agreement, or limited partnership agreement. In any form, they work only if they reflect the business and its owners as they currently exist. Provisions that fix a price set several years ago, or rely on a formula no one remembers, invite litigation as do provisions funded with life insurance that has lapsed or never kept pace with the business's growth.

Owners should revisit these terms periodically and whenever their circumstances change, such as a significant shift in the company's value, the admission or departure of an owner, a marriage or divorce, a decline in health, or a new succession plan. Each review should confirm that the valuation method still produces a fair price, that the funding will cover the obligation, and that the triggering events and payment terms still match the owners' intentions and their estate plans.

MISSED TAX ELECTIONS

Only certain trusts may own S corporation shares. After the owner's death, a revocable trust that held the shares generally has two years to qualify as a qualified subchapter S trust (QSST) or an electing small business trust (ESBT). Each requires a timely election, made by the beneficiary for a QSST and by the trustee for an ESBT. A trust that does not qualify, or misses its election, can terminate the company's S election. An entity taxed as a partnership presents a different risk. The heirs receive a stepped-up basis in the ownership interest, but the entity's basis in its own assets stays the same unless the entity makes a timely Section 754 election. Without that election, the heirs may pay tax on gain the step-up should have eliminated. The trust, the governing documents, and the required tax elections should be coordinated while the owner is alive.

OVERLOOKED POTENTIAL FAMILY CONFLICTS AND SPOUSAL INTERESTS

Parents often want to treat their children equally. If one child runs the business and two do not, leaving each a one-third interest can breed conflict. The child managing the business builds value the others share but have not actively contributed. The business owner has three main options. The owner can equalize with other assets or life insurance, divide the business into voting and nonvoting interests, or provide a buyout at a realistic price and on workable payment terms.

Marriage adds another layer. In California, a business built during marriage may be partly community property regardless of whose name appears on the ownership records. The buy-sell provisions should address the spouse's interest expressly, with signed spousal consents.

CONCLUSION

Under legislation enacted in 2025, the Federal estate and gift tax exemption rose to $15 million per person in 2026, indexed for inflation. The higher exemption does nothing for the ownership, control and liquidity problems described above. For larger estates, a 40% tax still applies, and the business is often the least liquid asset the owner holds. Gifting and sale strategies work best when put in place years before a transition.

An estate planning attorney and a corporate attorney, working with the owner's CPA and other advisors, can identify these gaps before they become problems. Together, they mark the difference between a business that is ready to transfer and one that becomes a burden for the people left to run it.



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Growth Demands More Than AI

Transformation, protection and response readiness is key

Amid more challenging business conditions, global executives are prioritizing resilience, strategic partnerships and workforce readiness as they pursue growth

Global business leaders are entering 2027 under pressure to transform faster, protect enterprise value and respond more effectively to disruption, yet most organizations lack a high level of confidence that they can do all three at once.

This is among the many notable findings in Unleashing Enterprise Value, the report on the results of the 15th annual Top Risks and Opportunities Survey from Protiviti and NC State University's Enterprise Risk Management Initiative.

Cyber threats, risks from implementing AI and economic uncertainty top the near-term concerns of the 1,330 global board members and C-suite executives surveyed. In addition, ecosystem partnerships are now seen as the best opportunities by organizations to drive growth.

Organizations want to transform and grow. but most executives lack strong confidence that their companies can transform, protect enterprise value and respond quickly to emerging opportunities and risks at the same time. However, while executives expressed greater confidence in their organizations' ability to protect enterprise value (48%) and transform the business (45%), fewer were highly confident in their ability to respond with agility to emerging opportunities and risks (38%). The survey found that 78% of organizations lack strong confidence across all three of these vital capabilities.

The findings also reveal a sense that risk levels are escalating across the board, with nearly every near-term risk measured year over year increasing in significance.

"Transformation alone will not be enough in 2027," said Matt Moore, global leader of Legal, Risk & Compliance at Protiviti. "The advantage will go to organizations that can turn uncertainty into opportunity, using risk insights to adapt faster, act decisively, and accelerate growth. Connecting those priorities will be critical to competing and growing with confidence."

KEY FINDINGS

- **Protecting enterprise value dominates the risk agenda.** Five of the top 10 near-term risks relate to cyber threats, regulation, privacy, third parties and resilience-related capabilities.
- **Growth expectations are moderating.** 64% see significant revenue growth opportunities over the next two to three years, down from 69% last year.
- **Ecosystem partnerships are gaining importance.** 65% see significant opportunities to expand strategic alliances and partnerships, up from 62% last year.
- **AI value depends more on operating discipline than technology deployment.** Workforce enablement, integration and governance lead executives' near-term AI priorities to maximize value.

TOP 10 NEAR-TERM GLOBAL RISKS

- Cyber threats
- New risks from implementing AI
- Economic conditions, including inflation
- Heightened regulatory change, uncertainty and fragmentation
- Rapid disruption from emerging technologies and other market forces
- Skills and talent acquisition and retention, leadership development and succession
- Privacy and compliance with growing identity-protection regulations and expectations
- Third-party risks
- Limited workforce skills to adopt new and emerging technologies
- Inability to use rigorous data analytics for strategic and operational advantage

The findings do not point to a more risk-averse strategy. In fact, protecting the enterprise is essential to enabling growth and a prerequisite for transformation. The results show that security, governance and resilience will determine how quickly organizations can scale AI, modernize infrastructure and pursue growth initiatives.

"Resilience should be treated as an integrated business capability, not as separate risk, transformation and strategy initiatives," said Dr. Mark Beasley, professor of enterprise risk management, director of NC State's ERM Initiative and co-author of the report. "Breaking down silos can help leaders recognize change earlier, accelerate strategic decisions and turn uncertainty into competitive opportunity."

STRATEGIC ALLIANCES EMERGE AS A GROWTH PATH

The findings also suggest that leaders are looking beyond organic growth and internal capabilities as uncertainty increases, with ecosystem development representing the leading growth opportunity for organizations over the next two to three years. As traditional growth avenues become more challenging, strategic alliances and broader business ecosystems can offer access to specialized capabilities, emerging technologies and new customer segments.

"No organization can solve the AI or cyber risk challenges alone," said Kim Bozzella, global CIO & CISO solutions leader at Protiviti. "Strategic alliances can give companies access to specialized capabilities, established platforms and innovation opportunities they may not be able to build as quickly or effectively on their own."

Learn more at protiviti.com.

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